



EMORY ECONOMICS REVIEW **MAGAZINE**

ELECTION 2020 SPECIAL EDITION



FOREWORD

Emory Economics Review was founded with a specific mission: to provide a platform for students to engage in discourse about global economic developments and foster discussions about the business values that dominate our lives. This year, this has been more relevant than ever.

Earlier in the year, we had published a magazine with a compilation of articles that looked at the different ways in which the COVID-19 pandemic had disrupted not only our personal lives, but the world of business. Yet, somehow a global pandemic has not been the defining feature of 2020.

The second half of the year has seen a tumultuous few months, with escalating racial tensions and partisanship in the wake of the U.S. presidential election. Regardless of your leanings on the political spectrum, it is imperative for everyone to understand what this election, dubbed as one of the most consequential in modern American history, holds in store for us. This issue aims to shed some light on the different economic impacts the candidates and their policies might have.

I'd like to thank the wonderful EER board for helping us compile this. It took a huge collaborative effort from all of us to accomplish this under extenuating circumstances and the difficulties of a remote semester. I'd also like to thank the writers and editors for their hard work, and for creating such great content in a brief time frame. This semester has not been ideal in many ways, but we can all be proud of what we've accomplished here.

From everyone at Emory Economics Review, we hope that you enjoy reading through the Issue #3 (Fall 2020) of our magazine.

- Aayush Gupta & Haejin Kang, EER Co-Presidents

EER

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VOTING BY MAIL: OPPORTUNITIES, BIAS, AND REPRESENTATION

Ramandeep Singh
Edited by Ria Kushan

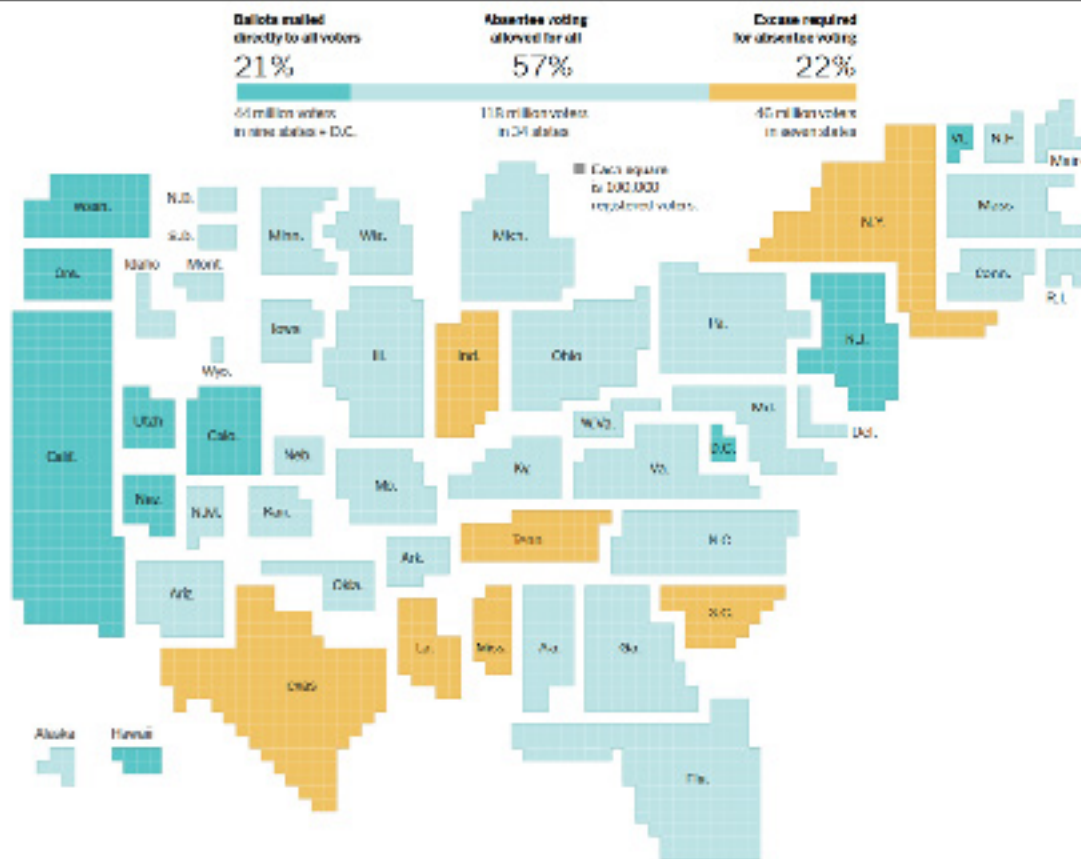


Figure 1: Voting options for Americans by state

This is going to be a fraud like you've never seen." President Trump made this statement in the final segment of the first presidential debate held on Tuesday, 29th of September 2020.¹ Trump then launched into an extended argument with former Vice President Joe Biden about how mail voting is ripe for fraud and mail ballots may be manipulated, come this November.

Mail ballots first developed on a large scale for the 1864 Presidential elections² so soldiers could vote from camps during the Civil War. Now, when the coronavirus pandemic looms large, the mail-in voting holds center stage.

In the 2016 US presidential election, nearly one-

quarter of votes were cast by post. Given the public health concerns due to COVID-19, these numbers are expected to rise.³ In nine states and Washington, D.C., every registered voter will be mailed a ballot ahead of the election. California, D.C. and Vermont will do this for the first time this fall. In 34 states, voters can cite the coronavirus as a reason to vote absentee or they can cast absentee ballots without specifying a reason. In nine states, every registered voter will automatically be mailed an application to request an absentee ballot. In 25 states, voters will need to procure an application for an absentee ballot themselves.

In seven states, voters still need a reason beyond the virus to vote absentee. That means many

voters in these states will need to vote in person at a polling place, barring any last-minute rule changes (Figure 1).

The simple reason to vote by mail this election is that more mail votes result in a higher turnout. Of the states that have held presidential primaries and caucuses this year, 31 saw an increase in turnout compared with 2016. Of those, 18 had sent either ballots or ballot applications to all voters ahead of the primaries.

So, why did President Trump call mail-in voting fraudulent? Who actually benefits from mail-in voting?

President Trump has declared that mail-in voting is rife with fraud. His son has gone as far as to claim that Democrats will “add millions of fraudulent ballots that can cancel your vote and overturn the election.”⁴

It’s important to recognize that evidence negating the President’s remarks does exist. For example, Oregon, the first state to adopt a universal vote-by-mail system, had 15 identifiable cases of voter fraud in 15 million ballots cast over 19 years. Similarly, Colorado has uncovered 14 cases of fraud out of a similar total since 2013, during which time Utah has seen just one case of fraud in the past 970,000 ballots. So, as can be observed voter fraud from mail-in ballots appears to be, rather literally, a one-in-a-million occurrence. The cause for concern is not the comments made by the President defaming mail-in voting, it is the need and effect that mail-in voting portrays.

While in-person voting looks safer than expected, mail-in voting looks more dangerous⁵—not because of fraud, but because of human error and partisan politics. Mail votes require several steps, and different steps in different locations, including postmarking the ballots, signing in various places, and using the proper number of envelopes. For that reason, it can confuse first-time voters, and even experienced voters used to queue at local high schools.

With millions of people voting by mail for the first time this year, experts expect more errors—and more rejected ballots. In the 2020 primaries, more than 550,000 mail and absentee ballots were disqualified, a significantly higher number than four years ago. The problem is especially severe in some swing states. More than 23,000 mailed ballots were rejected in the presidential primaries in Wisconsin—more than Donald Trump’s margin

of victory in that state in 2016. Deep-blue districts have had the same problem: New York City alone threw out more than 84,000 ballots this primary season.

The Pennsylvania GOP has asked the U.S. Supreme Court to overturn state law and declare invalid any ballots that arrive after Election Day, even if they are postmarked before November 3. That state’s Supreme Court recently ruled to throw out “naked ballots”—mail votes that aren’t sealed within two different envelopes—which could invalidate hundreds of thousands more votes. According to *The Philadelphia Inquirer*, more than 6 percent of the ballots in Philadelphia’s 2019 municipal election were “naked” ballots. Disqualifying one in 16 votes in Pennsylvania would be a historic disenfranchisement in a crucial swing state.

There is no question which party would benefit from the mass disqualification of mail-in ballots. According to polls, Democrats are three to four times more likely to vote by mail than Republicans.

How do we proceed?

In general, voting in person is probably not as dangerous as Democratic leaders initially feared. Since the CDC urged Americans to wear masks in public, no major outbreaks have been traced to voting queues. Given this, mail-in voting can be a great way to fulfill the fundamental duty of voting. This could be an amazing alternative for people to exercise their democratic rights. ■

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US AND CHINA DECOUPLING: THE ERA OF TRUMP VS BIDEN

Yifei Gao

Edited by Matthew Takavarasha



President Donald Trump and Democratic Presidential candidate Joe Biden exchange arguments during the first presidential debate at Case Western Reserve University and Cleveland Clinic in Cleveland, Ohio, on September 29. Jim Watson/AFP/Getty Images

With Election Day just around the corner, how Trump or Biden¹ will handle international economic policy has been heavily scrutinized, especially with the China U.S. trade war still in full swing. China has been a hot debate topic that has come up in the recent debates and news as Trump initiated bans of Wechat and Tiktok. Regardless of how America plans to position its foreign economic policies, one thing is certain: The United States will begin to perceive China as a formidable opponent to be taken down and this sentiment will not change for a while regardless of election results.

The U.S.-China trade war that began in early 2018 has already cost 300,000 jobs² according to Moody Analytics. How the next administration³ will craft policy to counteract China's rising economic power and its internal economic stagnation could redistribute power and capital from a global network of supply chains that were established over the last four decades. The

main concern is how to conserve the security of American citizens in terms of technological primacy and the protection of intellectual properties.

One point of division concerns the logistics⁴ of how the drive for American companies to switch investments to the domestic market can be realized. According to a survey⁵ by the American Chamber of Commerce in Shanghai, despite governmental pressures, only 4 percent planned to redirect investment to the United States, while 79 percent will continue operating as normal. Difficulties lie ahead in terms of disentanglement with China, particularly for American companies, as China continues to be a fruitful market.

If President Trump⁶ is reelected, there is potential⁷ to see concrete actions on punishing American companies that create jobs overseas and prohibit those that do business in China from receiving federal contracts. So far Trump has placed tariffs



on imports from all foreign entities and countries to block the access of Chinese companies to American technology. In terms of global economic cooperation, Trump has “renegotiated the North American Free Trade Agreement, short-circuited the World Trade Organization’s dispute settlement system, and pulled the United States out of the Trans-Pacific Partnership” according to the Wall Street Journal. However, this has come at a cost. Not only were American jobs lost, but tariffs imposed by the United States and counteracting policy have taken billions out of the U.S. economy. Another negative included imposing additional burdens on American households by raising the cost of imports and diminishing exporter’s access to foreign markets. With all additional efforts, the American trade balance has continued to increase in the deficit. Prospects to carry through with a stricter Phase Two trade deal with China may also be in the works.

Biden presents a different storyline, but with a similar theme.⁸ Rallying behind an economic strategy to “rebuild domestic manufacturing capacity”, Biden is pushing to restore local supply chains and implement a reward/punishment system based on taxes for companies operating in the United States. One point of differentiation from Trump’s policy is his optimism to work with the world, taking defense against China by working with global partners and allies. However, the focus of America First is also quite apparent. Biden is pushing for a \$400 billion “Buy American”⁹ strategy in terms of infrastructure and clean energy technology. Critics of his stance point out the potential to upset previous long-standing commitments made by the United States to other countries as such a policy would cut out several competitive European and Asian suppliers--not just from China. Despite Biden’s domestic first approach, he pushes for diplomacy when it comes to dealing with China. Potential renegotiations of international organizations that Trump has deserted is also in order.

All in all, regardless of which candidate is elected, the distrust of China will continue to drive American economic policy to regain control of an American-led global order-- especially in sectors dealing with technology or deemed to provide a competitive edge. American manufacturing will see a boost from the administration in terms of

support due to the interests of decreasing reliance on China. Even so, the economic intertwinement between both global powers will prove to be a difficult mountain to navigate as the idea of “complete decoupling from China” may be nothing other than wishful thinking in today’s globalized world. ■

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HOW MUCH DOES CAMPAIGN SPENDING INFLUENCE U.S. ELECTIONS?

Roger Chen

Edited by Shail Saraiya



The 2020 Presidential Campaign is projected to be the highest-spending campaign in American history. Projected to cost over \$5 billion, this coming election is looking to surpass the previous most expensive election in 2008 by \$2 billion. With this huge influx in money and current data showing election campaigns progressively becoming more expensive, it raises an important question: what effect does money have on a candidate's election prospects?

At first glance, there is a substantial claim that money directly affects an election's outcomes. From 2000 to 2016, more than 90% of the highest-spending candidates in their respective districts were elected to the House of Representatives with only the 2010 elections dropping the rate down to 86%.¹ Senate elections of the same time period also demonstrate similar, albeit with a slightly lower win rate of around 80%. Outside of just congressional races, money also acts as a predictor of the Presidential Elections. Out of the last eight election cycles, only the most recent 2016 election was won by the lesser spender,

meaning that Donald Trump was the first presidential campaign to spend less money and still win, since Jimmy Carter last beat Gerald Ford in the 1976 election.

Further examination of academic literature further adds evidence that supports the initial claim. Multiple papers show a direct correlation between election spending and candidate recognition, especially for non-incumbent candidates. This means that those campaigns with the largest expenditures tended to be more likely to be remembered by their electorate.² Alongside recognition, there are also substantial claims that larger campaign financing leads to a larger percentage of votes won in the election. One paper found that a congressional candidate could increase their margin of victory from 3% to 60% by simply spending an extra \$180,000.³

However, as indicting as these claims may seem, they may be a classic case of mistaking correlation for causation as there are various external factors that determine the amount of



funding a candidate receives. For example, the specific political affiliation of a region is a crucial factor when determining how much financial support a candidate may receive. If a Democratic representative was running for office in a traditionally red district, it is likely they will not win. Investing in these candidates would be extremely risky, leading to less campaign funds raised when compared to that district's Republican candidates. Additionally, not all candidates are created equal. Differing qualities of candidates inevitably leads to differing amounts of funding. Someone with decades of congressional experience is inevitably going to garner much more financial support than a first-time candidate hoping to win their first election. When controlling for these variables, one paper found a negligible effect of marginal campaign spending on capturing votes. This meant that up to a certain point, as a candidate increases their campaign spending, there is almost no direct effect on the outcome of the election that cannot be explained by other factors.

The argument is not that elections do not require substantial funding. Instead, the real point being raised is that someone participating in an election has an equal chance of being elected without having to spend more money. To a certain extent, there is little marginal benefit an extra dollar brings to a candidate's election prospects. For example, billionaire Mike Bloomberg entered the race to be the Democratic Nominee for the President of the United States of America with one strategy in mind "if you can't beat them, buy them". His campaign broke the record for the most expensive self-funded presidential campaign till-date, still having spent more than Donald Trump and Joe Biden combined. However, the billions of dollars he spent eventually got him nowhere. He dropped out after 100 days due to poor showings in the primaries where he managed to capture only 49 of the available 3,979 delegates, showing that money is not the only factor when determining a campaign's success.

The 2020 Presidential Election will certainly be historic, not only because of the manner in which it is being conducted during the coronavirus pandemic, but also because of its implications on campaign financing. Donald Trump is presently behind in funding, having raised \$476 million against Joe Biden's \$540 million,⁴ even though the former has had a head start as an incumbent. Would this difference make or break the election,

or would it not matter given the argument that an incumbent's marginal spending is not as worthwhile as the challenger? Does Michael Bloomberg's failed campaign send a warning to other billionaires looking to self-fund a presidential victory? Given the track record of the larger spenders generally winning the Presidential election, will this follow the pattern or set a new precedent in line with the last election cycle's result? Time will only tell, but for now, we can only just speculate until the ballots are counted in November. ■

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THE FORGOTTEN ISSUE; FOREIGN POLICY IN 2020

William Schmidt
Edited by Naomi Santiago

As the election nears and voters begin to cast their ballots, many are voting for criminal justice reform, mobilization against climate change, healthcare, the American dream, but only a small fraction are voting for a better foreign policy. They should be though. If any progress will be made following the election, policymakers must come to terms with their failures. If they don't, and if they continue to live in the shadow of Trump's vision, the world will surely suffer. The consequences of inaction are steep and multifaceted - dollar costs, environmental costs, and, of course, human costs - and we can no longer afford to twiddle our thumbs and stand-by while lives are being lost. For the same reason you vote for criminal justice reform, healthcare policy, climate change policy, vote for a better foreign policy; innocent lives are at stake.

If I were to merely list all of the world events that demand our attention it would surely take up the entire article. The highlights, however, may be enough to demonstrate the scope of the geopolitical issues knocking at our door and the immense human cost incurred by these tremendous losses. China has mobilized its forces in the South China Sea and the Indian border. Azerbaijan and Armenia are engaged in armed conflict that has the potential to escalate into a regional war. There is documented proof of reeducation camps sterilizing the Uyghur population of Xinjiang. Democratic movements have been suppressed with brutal force and relentless ferocity. Climate change threatens the lives of many, but none more so than the civilian population of the global south. And most importantly, a global pandemic has ravaged the American and Eurasian continent. Meanwhile, this administration has doubled down on its 'America first' approach as they left, threatened, or defunded many international bodies, agreements, and alliances. The many credible signals of inaction have set the stage for human rights violations and general disregard for international law. These will be fixed by increasingly stringent

economic sanctions and tariffs, or at least that is what the administration has continually told us, but it's been 4 years and research has shown it only served to decrease the overall well-being of American civilians. Therefore, it is imperative to outline the different types of costs that will surely compound over the coming years if general inaction is maintained.

Many are critical of the U.S. military-industrial complex, as they should be, but the argument that America would be better off by defunding their military misses the crucial question; would the world be better off? If your first, instinctual reaction is "duh", then you've probably been paying attention to the national news over the years. This image discounts the fact American failure in foreign policy endeavors is our heuristic and doesn't reflect the complex nature of the question. The international system is very eager and relatively quick in their response to changes in power dynamics. A reduction of military spending by a great deal would surely be met with an increase elsewhere, a decrease in mobilization will be met by greater mobilization elsewhere. To claim that the world wouldn't change, or even charge that it would be better fails to answer 'for who?' Life may not change for you living in your suburban house, but it would very much change for people in China's sphere of influence or Russia's sphere of influence. Without the United States to mediate in conflicting interests, there is no power to ensure that war will not break out, at which point it becomes necessary for US intervention with all the dollar signs attached to it. Momentary savings here and there when it comes to military savings, if not done strategically, will almost certainly be met by future spending down the line, except many more lives would have been lost and countless livelihoods are thrown into ruin. With this motivation in mind, we must analyze the associated costs - dollar, environmental, and human - and why they will be greater if we don't change our current foreign policy approach.



Dollar Costs

First, it seems necessary in the wake of the election to analyze the economic impact of President Trump's tariffs on the United States economy and elsewhere. Implemented as a tool to punish China for manipulating its currency and dominating export markets to help encourage negotiations of fair trade. Similar logic applied to the renegotiation of NAFTA earlier this year. In total, tax revenue has increased by 80 billion dollars from the increased tariff level, however, a recent paper by the Federal Reserve¹ holds that the economic costs far outweighed the benefits. The increased tax level has increased the overall price level, especially in industries surrounding manufacturing, aluminum, and electricity as the input prices experienced a rapid upward shock. The same paper finds no statistically significant difference between pre- and post- tariff manufacturing activity. Moreover, the Tax Foundation² estimated that the effect of the tariffs on the economy was a long run reduction in GDP by 0.23 percent, the equivalent of several billion dollars in economic activity, a 0.15 percent reduction in wages, and total full-time employment jobs by 179,800. While it is important to take these estimations with caution, as it is difficult to isolate variables when examining the economy, it is pertinent to note that the general academic consensus is that these tariffs have caused more harm than good - especially to American workers. China faced a far smaller impact, which is important to note because it leads us to the conclusion that the tariffs did a poor job at accomplishing its goals. Finally, the tariffs did little to negotiate fair trade agreements,

encourage diplomacy and did nothing to slow down the imperialistic tendencies of the ruling party.

So what does it have to do with foreign policy? A whole lot. The administration's overuse of economic means to pressure foreign governments and foreign powers is a shift from the previous orthodoxy of diplomacy and mediation through various international organizations. The drawback of this approach, as outlined above, is that it often hurts our economy, especially when imposed on nations who make up a large portion of our imports which also makes them painfully ineffective in accomplishing their goals. For this reason, it doesn't aid in helping to stabilize relations or tensions within the region, it may even make matters worse. If we impose unilateral tariffs, it is almost certain we are fighting against our interests as it does little to discourage the behavior. However, it is clear from recent developments that it is precisely political behavior in which we need to change. Effectively, we have done little to reduce the probability of conflict, inflicted harm on the US economy, and moved diplomacy at least a few steps back. In other words, Trump's foreign policy approach has failed.

One last consideration is necessary before we move on. If soft power in conjunction with the very real threat of military involvement is not utilized more effectively by the United States, no matter the state of trade relations, there will certainly be great costs in the future as conflicts continue to escalate globally and attitudes become increasingly negative. As any economist

would tell you, these costs will almost certainly be greater than if dealt with today. Foreign policy has the potential to be an investment in future security, but the Trump administration has placed the economic security of our citizens and citizens of other countries at risk of economic loss and all the losses associated with dangerous political behavior.

Environmental Costs

If we are to stay on our present course of action - minimal intervention, minimal cooperation, and minimal trust - the environment will be among the greatest losers. Not only did the US military pollute 59 million tonnes of carbon dioxide in 2017,³ but the damage caused to soil, forests, and natural ecosystems are beyond quantifiable. A large portion of carbon emissions arise from the fact that military vehicles are big and inefficient, as tanks don't tend to get great gas mileage, and the standard Humvee gets only about 10 miles to the gallon. Plus, the US military produced 1.2 billion tonnes of carbon emissions since its invasion of Afghanistan in 2001.⁴ One may assert that this is reason enough to downsize our military, which is a fair argument as the Pentagon is the 55th largest polluter in the world. I can't argue against it so much as offer alternatives - investing in more fuel-efficient vehicles, decreasing the number of active bases on the homefront, and so on - but it is important to remind ourselves of an earlier discussion; all decreases will inevitably be met with corrections in power balances by other countries. Decreasing our size does nothing to guarantee total emissions will decrease, only that the United States' contribution to the problem will decrease. This is made worse when many countries also do not keep great records of the carbon footprint of their military or do not publicize it at the very least.

Moreover, the damage to the biosphere is nearly impossible to quantify, but it is not hard to conceptualize why this may be the case. Considerations for the soil, for the trees, for the animals that live there, for the water at your feet, are often the first to go when your life is at stake. Consider the effects of the napalm blasts in Korea, the ecosystems of Hiroshima and Nagasaki, the carpet bombs in Syria, German Bombings of the British countryside, the term between the trenches in World War 1. Even less extreme, think of the ammunition that rests in the soil, never to be thought of again, think of the mines established to extract minerals to help the cause, and many more. From start to finish,

war does nothing but destroy the environment in irreparable ways. Studies of the effect of the Gulf War have shown that radiation from over 300 tonnes of missiles has caused radiation to link into the soil and water, creating a small cacogenic environment.

Trump's foreign policy approach, analyzed through the approach of the environment, has been far from stellar. His actions did little to reduce conflict, and in several instances egged on foreign powers into becoming more involved. He removed us from the Paris Climate Accords. He included fewer environmental protections in trade deals. Any policy that does not attempt to minimize conflict through diplomacy and trust is no favor to the environment, and Trump's foreign policy is not focused on harm reduction or conflict resolution. If current trends in geopolitics continue, conflicts will continue to mature and progress, wars may erupt, and at that point is too late to turn back now.

Human Costs

This goes almost without saying, but conflict creates immeasurable suffering and violence. From the radiation in the soil that causes cancer to the wife who lost her husband, brother, and son, to the thousands upon thousands of lives lost, to those whose land is taken from the - war is nothing short of damnation. If there is no change of course soon, the entire culture of the Uyghur population will be wiped out, Armenia and Azerbaijan will lose more soldiers, the largest countries, India and China, may battle for dominance in the region, and the world may never be the same again. Millions of individuals dying by brewing conflicts, millions of individuals dying from a miscalculated pandemic, millions of individuals dying in the fight for liberation or freedom or democracy, thousands dying in cultural genocide, with nothing indicating improvement anytime soon.

Perhaps the saddest part about all of this is that it was well within the realm of possibility that with better communication, diplomacy, and competent leadership, much of this may have been avoided, much of what needed to be done would have been done long ago. The first reports of genocide appeared 4 years ago, but it wasn't till this year that the US passed a law that encouraged analysis of the issue - let alone actual action to stop or deter it. Perhaps, talks could have been made between India and China, rather than two countries in the Middle East that had such little



conflict, to begin with. Or what about Turkey and its involvement in the escalating conflict in Azerbaijan and Armenia? Nothing was done to deter them. Meaningful action by the United States and other countries is incredibly powerful, and the shifts in global power dynamics certainly are making life difficult for billions of individuals as conflict, authoritarianism, and death loom heavy on their minds. These immense human costs could have been avoided, or at the very least, decreased if an action was taken sooner. Now, however, we may be past the point of no return.

So Why Should I Care?

As you may have guessed, these issues are not independent of each other and they will only continue to increase if no action is taken. However, it is a matter of what actions should be considered to remedy these situations. Simply identifying problems and pointing out their implications adds little to the dialogue, and certainly adds to the 'doom and gloom' mentality of far too many. So I will briefly outline a general plan to restore US trustworthiness abroad, ensure better diplomatic practices, and build the necessary infrastructure to instill necessary reforms of the military-industrial complex. First, make it clear that we are committed to international cooperation and to supporting burgeoning democracies globally by rejoining the US Human Rights Council, World Health Organization, World Bank, Paris Accords, among others while expressing sincere support for democratic reformists, like those currently protesting in Hong Kong. This infrastructure may not be the best suited to combat the complex global problems that plague us, but they certainly represent the best global attempt to facilitate reform. Actions included in this may also incorporate the refunding of Radio Free Europe, Radio Free Asia, and Voice of America. Second, encourage economic growth of developing nations in Eastern Europe, Latin America, Africa, and Asia as economic growth usually leads to a greater reduction in conflict as it both leads to a greater degree of political openness and economic security - two prime reasons for conflict. The specifics of this program will be key as if done wrong it may walk the boundaries of economic imperialism. Third, and finally, send credible signals of force as a backdrop to mediation and conflict resolution. If no credible threat can be established, there is little reason to believe despotic regimes will change their behavior.

Some may be skeptical of my use of the word

intervention used throughout this article - as the heuristic of American violence is almost entirely botched invasions, senseless violence, and assisting in the overthrow of democratically elected leftists. However, it is a deathly flawed assumption that less military, less intervention, means better intervention and better military; especially when you are not the one bearing the costs associated with the resulting change in the international power structure. Just because the government does bad things now and then doesn't mean that we should defund the government. Reform is possible - it just takes the right leader to do so. Moreover, I use intervention to include both the concepts of soft and hard power, however, soft power is far more important in the ever globalized world and should be utilized far more if real change is going to be made. Mediation and diplomacy are great examples of this approach and can go a long way if done well - far greater than war. In instances where it is not possible to negotiate, say with regards to the cultural genocide in China, hard power may be necessary. It is up to policymakers to determine the need and adjust their approach accordingly. This will also require a far smaller reliance on overthrows, coups, and sting missions to maintain soft power, but that seems like it could maximize outcomes for all parties.

It is a bad policy to let people suffer, citizen or not, and the Trump administration has certainly opened the possibility for greater human suffering abroad. It may not be appealing to think about, it may be inconsistent with your view of the world, but it is time to care about the world around you, it is time to vote for change, to vote for environmental protection, to vote for democracy, to vote for humanity. Foreign policy orthodoxy has not been ambitious enough and it is the world who will pay for it. When you cast your ballot this November consider foreign policy. The future may depend on it. ■

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PRESIDENTIAL ELECTIONS DON'T BRING TOO MUCH FEAR INTO THE MARKET

Ethan Kim
Edited by Ria Sruti

From the COVID-19 global pandemic to a competitive Presidential election, 2020 has been a year full of uncertainties. These uncertainties are reflected in the stock market which has become increasingly sensitive. Simultaneously, the news highlights individual and institutional investors that generate unbelievable returns, and take advantage of this unpredictable environment. This year has been stressful for the majority of investors due to unclear expectations. Now, with the presidential elections around the corner, investors are experiencing more fear due to the uncertainties of the results. However, it isn't solely responsible for the fluctuations in the market.

The 2016 election results led to massive swings in the stock market. President Trump's win resulted in a huge swing in the futures market on November 9th, 2016.¹ The graph below shows, by 12:10 AM of November 9th, when Trump's win was certain, the Dow Jones Futures dropped by 5% hitting the trading-loss limit. However, the trajectory quickly turned around and the Dow rose 1.1% by the end of the market on that day. Hence, the large, but, short-term volatility clearly represented investors' reactions to the unexpected election results.

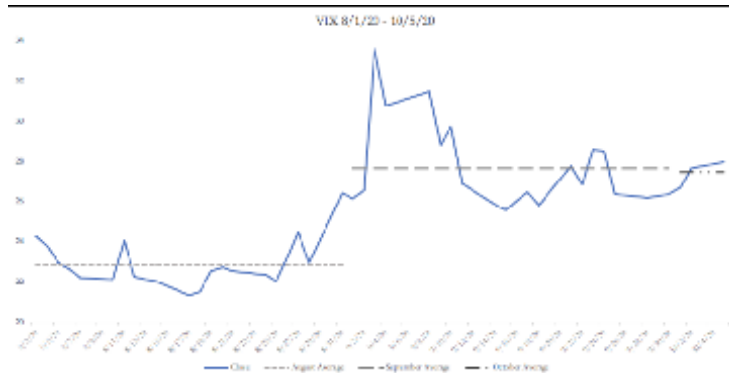
Following the 2016 election, the public began doubting the accuracies of the polls. A survey



conducted in 2018, by The Hill concludes, majority of the Americans do not believe in such prediction polls.² The increasing disbelief in polls, can drive more uncertainties this year, and bring up the volatility in the market as shown below through higher Chicago Board Options Exchange's volatility index ("VIX") in September.

However, looking at longer-term data, it becomes increasingly hard to argue that presidential elections solely fluctuate the market during the election seasons. In the context of this article, the election season extends from August to December of the election year. The second graph shows the VIX from 1990 to 2020 with grey areas highlighting recessions and the green areas highlighting the presidential elections. As can be seen from the graph below, the elections were not the major factor for the volatility index.

Let's look at 2008. The National Bureau of Economic Research's (NBER) report communicates that the 2008 financial crisis recession started occurring in December of 2007.³ However, the general American population realized it much later; this can be observed in the market as the market began falling since mid-2008. Moreover, the 2008 financial crisis took a long time to recover, and the unusual market volatility continued for arguably more than a year, even after the 2008 Presidential election. 2020 is unlike 2008 as when COVID began spreading, the market tanked almost instantly. In fact, the market recovered rapidly before the Presidential election and rose above the Pre-COVID level by August. The VIX shows that there are smaller fluctuations in the market now compared to the beginning of the recession this year.



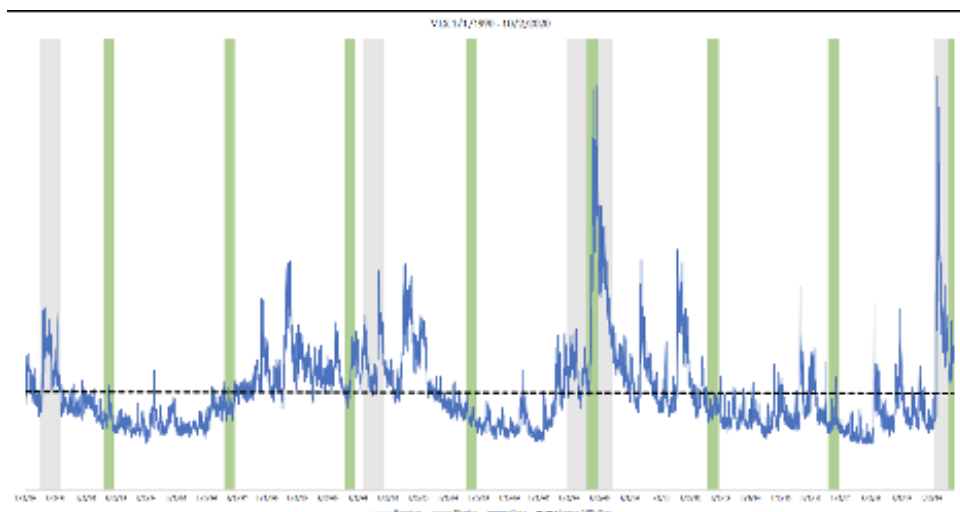
Looking at other Presidential elections from 1990 to 2016, we can draw similar conclusions. The average index points demonstrate these conclusions. From 1990 to 2020, the VIX averaged 19.42. However, on average, including 2008 and 2020, the VIX was 20.63 during the Presidential election seasons. While there is a difference between the two numbers, it's hard to conclude that a difference of 1.21 in the VIX is meaningful enough to say the elections significantly increase the volatility in the market, especially with only 30 years of data. Moreover, if we exclude the 2008 election from the data set, which was the most critical recession period for the market, the VIX averaged 19.16 throughout the 30 years and averaged 14.88 during the election periods. To understand the severity of the election on the market, we can compare this with other events, such as the FED's decision to increasing interest rates. In December 2018, the FED decided to increase the interest rates bringing fear of increased borrowing costs for companies. As soon as this was announced, the market began experiencing high fluctuations, which led stock market indices to hit its year-lows. Since this announcement, the VIX averaged 28.87 until the end of 2018.⁴ The market correction led by the

FED, thus, seems to be more significant than the election. While this is only one period of time that's being compared to the longer-term, established data-set, the VIX averaged 25.35 from August to October of 2020 and averaged 14.07 from August to November of 2016.

2020 has been an unprecedented year. Given this, it's difficult to conclude the idea that presidential elections bring higher volatilities to the market. In fact, a way to interpret the data presented above is realizing that other major events, such as recessions, the FED's interest rate decisions, and geopolitical issues, may be more significant than the Presidential election. Since NBER tells us that the US is still in an economic recession, investors' focus should be on the decisions that drive the recovery from the recession. This will provide more certainty into future matters and, potentially, result in fewer fluctuations in the market. ■

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THE ECONOMIC EFFECTS OF JOE BIDEN'S HEALTHCARE PLAN

Ethan Rothstein
 Edited by Shail Saraiya

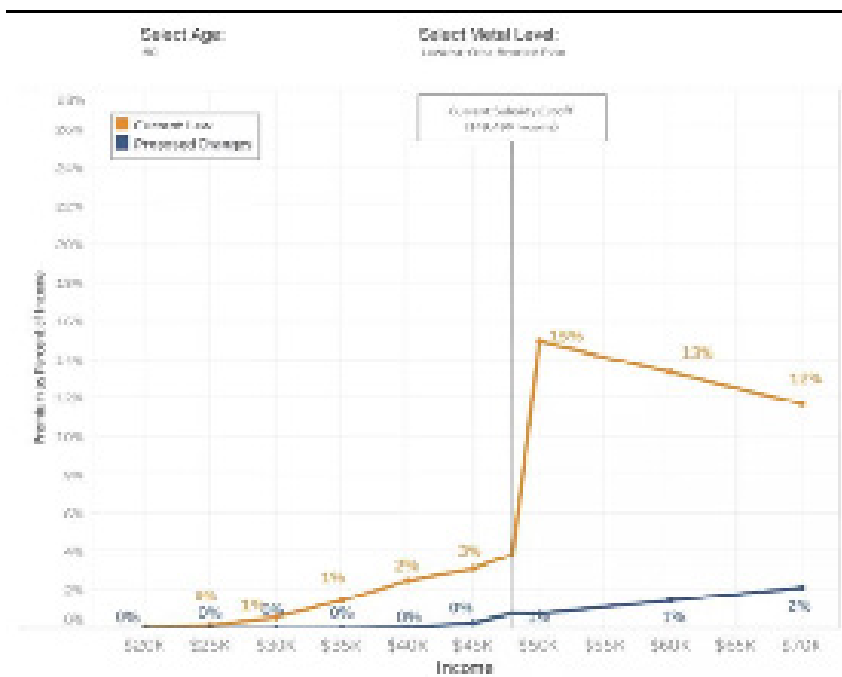
A major debate in American politics has been over the type and method of healthcare provided. Medicare for all, expanding the public option, expanding Obamacare, and repeal and replace have all been discussed and advocated for by different politicians. Now that the primary season is long gone and the general election is in a few short weeks, assessing healthcare plans and their economic impact is an important task.

Joe Biden's plan on his website is a comprehensive change including a public option, expanding credits, and lowering prescription drug prices.¹ He claims all of this can be paid for by raising the capital gains top rate to 39.6%. At the very least, people making under \$80,000 would be paying much less in insurance premiums² as a percentage of income (Figure 1).

According to a non-partisan organization that analyzes the economic effect of large-

scale public policy, Biden's plan would increase health spending by about 12% over the next decade. Some of this would be offset by an increase in capital gains and income tax. However, a middle estimate would guess that the deficit would increase by \$850 billion over the next 10 years.³

The question then is: would the government eat the loss through debt, would they raise taxes or would they cut expenditure elsewhere? Most estimates put the increase in insured people at about 20 million under the Biden plan, which could pay for itself. Right now, taxpayers pick up the bill for people who go to the hospital but cannot pay. If that group of people is largely eliminated, spending outside of planned healthcare would reduce. This would allow the government to effectively plan healthcare spending. Planning for expenditures makes each dollar spent more effective by treating more patients at a lower total cost.



NOTE: Alaska and Hawaii are excluded from the Social Security (SS) and Medicare (Medicare) programs, and they different subsidy cutoffs from the rest of the states. This analysis uses data from the 2019 Survey of Health, Income, and Education (SHINE).

SOURCE: SHINE analysis of 2019 Social Security, Medicare, Medicaid, and CHIP data; and EMMHP (Employer-Medicaid) data from the Robert Wood Johnson Foundation.

In light of Covid-19, it seems almost inevitable that a bill for a sizable increase in government-funded healthcare will pass. Balancing coverage with affordability has always been a challenge for the American health system. However, Biden's changes would bring America's system closer in line to many European countries that have high marks on both outcomes and affordability.⁴ While the methods are diverse, European countries share the common practice of having largely socialized healthcare.

It is natural for politicians to make big promises to the public and figure out the details later. However, figuring out those details can often be more difficult than the policy in the first place. As bills are often held hostage by budget hawks in the government, understanding the economics behind healthcare will be an important step in the reformation of the American healthcare system. If Biden is elected and puts forward a bill similar to what he has proposed while running, the debates in congress and the news will be ubiquitous. Therefore, it is

important to recognize that the numbers being given to the American public may not be accurate. The GOP and Democrats may emphasize or ignore current spending, cost saving measures, or higher tax rates for wealthy Americans to try and paint a picture of the future. All of these measures together show a clearer picture of the real cost of healthcare reform. That is why I urge anybody who wants to be informed of the current state of US politics to not only listen and watch their preferred news media, but to also try and piece through and understand the key points of the bills themselves. ■

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THE EFFECT OF COLLEGE STUDENTS ON REKINDLING THE SERVICE SECTOR

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Edited by Naomi Santiago



When the coronavirus pandemic first hit the United States in March, the food and entertainment sectors of the economy were the most affected. Studies found that even during economic peaks, nearly 40% of local businesses operate at a break-even point.¹ Because the United States immediately underwent a lock down, the local communities stopped going out to restaurants. Big companies and incorporations had some leeway and were well equipped to face a few quarters of recession. Nevertheless, many small and independent restaurants didn't have the same privileges. They rely on constant business and can probably only go a few weeks at maximum, paying the fixed costs and the employees' wages. The economic stimulus checks issued by the government helped to a small extent, but it wasn't enough. Many restaurants were forced to shut down for a quarter or two until the economy became more stable.

Restaurants in college towns and big cities started reopening in August hoping they

would get some of their previous customers back. The daily habits of college students remain fairly constant despite external hardships.² College students have generally relied on restaurants for meals. If they live in a dorm, they have no access to a kitchen. If they live in an apartment, they either are too busy or don't know how to cook. With many universities adopting a virtual environment, students face a stressful time crunch now more than ever. Many students have still moved back to college and have reverted to relying on restaurants for meals. Either they order some quick takeout if they need to get back home and study, or they look for restaurants that offer socially distanced outdoor seating if they are trying to make plans with a few close friends.

Of course, college students should be more careful about being in social settings during a time like this, but unfortunately, it is hard to influence their decisions. Nonetheless, it will take several years for most restaurants to return to their pre-pandemic profit levels despite the support they receive

from college students. Surely any type of income is better than none; even if these local restaurants aren't making profits, the money earned can be put towards the fixed costs, such as paying the rent of the building and the maintenance cost of the machinery needed to cook. The economy will not return to pre-pandemic levels until there is a vaccine that eliminates the risk of the coronavirus and allows college students all around the world to return to their college towns where they no longer have to weigh the risks of ordering food from restaurants with the perks of easy availability.³

Generally, college students tend to be very vocal about their beliefs. With the black lives matter movement being a prominent issue in our society recently, students are compiling and sharing lists of black-owned restaurants and other small businesses to support. Due to this movement and the publicity drawn by it, these small businesses are earning better profits than otherwise would've been predicted in a recession¹. The

wage gap between races and social levels increases during a recession with the typical small business owner facing much more severe consequences than the upper-class white man. By late April, 41% of black-owned businesses had shut down compared to 17% of white-owned businesses⁴. Not only are profit margins thin for local businesses, but also banks are hesitant in giving loans to people of color because they may be at a high default risk. Luckily, college students are taking initiative to do everything they can to support small businesses and prevent them from declaring bankruptcy. ■

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Acknowledgments

The EER would like to extend a special thanks to Elizabeth Eichinger, Senior Coordinator of Programs for the Emory Department of Economics, without whom this organization would not have had a clearly lit path to success. The executive board and all club members greatly appreciate your unwavering support and guidance.



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